

**FAYETTE COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

Independent Auditors' Reports
Basic Financial Statements and
Required Supplementary Information
Schedule of Findings

June 30, 2013

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSON

Table of Contents

OFFICIALS	<u>Page</u>	
	1	
INDEPENDENT AUDITORS' REPORT		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4-7
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>	
Statement of Net Position	A	9
Statement of Revenues, Expenses and Changes in Net Position	B	10
Statement of Cash Flows	C	11
Notes to Financial Statements		12-17
SUPPLEMENTARY INFORMATION:	<u>Schedule</u>	
Combining Statement of Net Position	1	19
Combining Statement of Revenues, Expenses and Changes in Net Position	2	20
Combining Statement of Cash Flows	3	21
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		24-25
SCHEDULE OF FINDINGS		26-28

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

OFFICIALS
June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Kelly Beacom	Chairperson	City of Maynard
Dave Klimesh	Vice-Chairperson	City of Waucoma
Donald Handel	Member	City of Arlington
Bill Ashby	Member	City of Clermont
Rod Marlatt	Member	City of Elgin
Kerry Opel	Member	City of Fayette
Darrel Dolf	Member	Fayette County
Jeanine Tellin	Member	Fayette County
Vicki Rowland	Member	Fayette County
Gary Holthaus	Member	Fayette County
Mike Schutte	Member	Fayette County
Don Kelly	Member	City of Hawkeye
Peggy Sherrets	Member	City of Oelwein
Geraldine Winkie	Member	City of Randalia
Kurt Huinker	Member	City of St. Lucas
Eric Boehm	Member	City of Wadena
Don Bushaw	Member	City of Westgate
Kennon Gumm	Member	City of West Union

Supervisory Personnel

<u>Name</u>	<u>Position</u>
Joan Swenka.....	Executive Secretary
Ruth Ann Kearney.....	Financial Director

Dennis P. Donovan

Certified Public Accountant, PC

1100 Gilbert Street, PO Box 516

Charles City, IA 50616-0516

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Independent Auditors' Report

To the Members of the Fayette County Solid
Waste Management Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the Fayette County Solid Waste Management Commission as of and for the year ended June 30, 2013, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fayette County Solid Waste Management Commission as of June 30, 2013, and the changes in its financial position and its cash flows for the year the ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2014 on our consideration of the Fayette County Solid Waste Management Commission internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Fayette County Solid Waste Management Commission internal control over financial reporting and compliance.

Dennis P. Donovan, P.C.

March 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fayette County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with Fayette County Solid Waste Management Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- * The Commission's operating revenues decreased 8.9%, or \$115,668, from fiscal 2012 to 2013 as gate fees were decreased slightly.
- * The Commission's operating expenses decreased 3%, or \$37,711, from fiscal 2012 to fiscal 2013. Tipping fees showed a decrease of \$32,074.
- * The Commission's net assets increased 1.9%, or \$59,246, from June 30, 2012 to June 30, 2013. Net assets were restated at the beginning of the year by \$54,300 to reflect adjustments not previously recorded.

USING THIS ANNUAL REPORT

The Fayette County Solid Waste Management Commission is a 28E Organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Position presents information on the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position for fiscal 2013 totaled approximately \$3,067,615. This compares to approximately \$3,062,669 for fiscal 2012. A summary of the Commission's net position is presented below.

Net Position		
	June 30,	
	2013	2012
Current Assets	\$ 743,079	\$ 516,420
Restricted Investments	1,914,285	2,030,574
Capital Assets at Cost, Less Accumulated Depreciation	2,143,280	2,209,084
Total Assets	4,800,644	4,756,078
Current Liabilities	-	5,643
Noncurrent Liabilities	1,733,029	1,687,766
Total Liabilities	1,733,029	1,693,409
Net Position:		
Net Investment in Capital Assets	2,143,280	2,209,084
Restricted	1,914,285	2,030,574
Unrestricted	(989,950)	(1,176,989)
Total Net Position	\$3,067,615	\$3,062,669

The unrestricted portion of the Commission's net position may be used to meet the Commission's obligations as they come due. The invested in capital assets (eq, land, buildings and equipment) are resources allocated to capital assets. The remaining net position is restricted for closure and post closure care. State and Federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the transfer station and recycling center. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2013 and 2012 is presented as follows:

Changes in Net Position

	Year Ended June 30,	
	2013	2012
Operating Revenues		
Gate fees	\$ 231,254	\$ 294,589
County and City Assessments	931,256	973,548
Other Operational Revenues	9,885	19,926
Total Operating Revenue	<u>1,172,395</u>	<u>1,288,063</u>
Operating Expenses		
Wages and Benefits	306,037	296,856
Repairs and Maintenance	28,248	39,995
Hauler Contract & Fees	122,089	127,182
Trucking	121,174	116,852
Engineering Services	49,420	41,900
Education and Training	5,000	5,220
Legal and Accounting	13,464	13,811
Depreciation and Depletion	73,604	85,550
Landscaping	9,814	6,570
Appliance Recycling	642	1,797
Tire Recycling	669	3,198
Electronic Recycling	4,838	3,234
Cardboard Expense	1,106	2,390
Leachate Operations	42,263	32,655
Well Maintenance and Monitoring	-	13,337
Special Waste Handling	3,956	4,830
Permits	1,061	-
Insurance	33,793	33,685
Supplies	14,657	9,669
Site Utilities	17,416	11,692
Office Expense	3,629	10,641
Fuel	5,809	4,262
Tipping Fees	297,572	328,646
Total Operating Expenses	<u>1,156,261</u>	<u>1,193,972</u>
Operating Income	<u>16,134</u>	<u>94,091</u>
Non-Operating Revenues		
Gain on Sale of Capital Asset	-	2,100
Rental Income	3,025	3,025
Interest Income	40,087	28,959
Net Non-Operating Revenue	<u>43,112</u>	<u>34,084</u>
Change in Net Position	<u>59,246</u>	<u>128,175</u>
Net Position beginning of year (as restated)	<u>3,008,369</u>	<u>2,934,494</u>
Net Position end of year	<u>\$3,067,615</u>	<u>\$3,062,669</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in the net position at the end the fiscal year.

In fiscal 2013, operating revenues decreased by \$115,668, or 8.9% and operating expenses decreased by \$31,711, primarily a result of decreased gate fees and tipping expenses.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes debt payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At June 30, 2013, the Commission had approximately \$3,563,534 invested in capital assets, net of accumulated depreciation of approximately \$1,420,254. Depreciation charges totaled \$73,604 for fiscal 2013. More detailed information about the Commission's capital assets is presented in Note 5 to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2013 the Commission had \$1,733,029 in long term liabilities, an increase of \$45,263 from 2012. The table below summarizes outstanding debt.

	June 30,	
	2013	2012
Closure and post-closure care cost	\$1,733,029	\$1,687,766

Additional information about the Commission's long term liabilities is presented in Notes 6 and 7 to the financial statements.

ECONOMIC FACTORS

Transfer station operations shall remain the same for the next fiscal year. No significant changes are anticipated. Rates and fees shall remain the same. A new leachate tank will be installed at an expense of approximately \$72,000. Recycling operations will remain basically the same. Tonnage may be reduced due to curb-side recycling in some cities. Revenue will fluctuate due to prices received for recycled material.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fayette County Solid Waste Management Commission, P.O. Box 267, West Union, Iowa 52175.

BASIC FINANCIAL STATEMENTS

Exhibit A**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION****STATEMENT OF NET POSITION**

June 30, 2013

ASSETS

Current Assets:

Cash	\$ 694,470
Accounts Receivable	28,565
Prepaid Insurance	20,044
Total Current Assets	743,079

Non-Current Assets:

Restricted Investments	1,914,285
Capital Assets (Net of Accumulated Depreciation)	2,143,280
Total Non-Current Assets	4,057,565

Total Assets	\$ 4,800,644
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LIABILITIES

Noncurrent Liabilities:

Landfill Closure and Post-Closure Care Cost	\$ 1,733,029
Total Liabilities	1,733,029

Net Position

Net Investment in Capital Assets	2,143,280
Restricted for:	
Closure & Post-Closure Care Cost	1,914,285
Unrestricted	(989,950)
Total Net Position	\$ 3,067,615

See Notes to Financial Statements.

Exhibit B**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION****STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year Ended June 30, 2013**

OPERATING REVENUES:	
County and City Assessments	\$ 931,256
Material Sales and Fees	231,254
Other Operating Revenues	9,885
Total Operating Revenues	1,172,395
OPERATING EXPENSES:	
Wages and Benefits	306,037
Repairs and Maintenance	28,248
Hauler Contract & Fees	122,089
Trucking	121,174
Engineering Services	49,420
Education and Training	5,000
Legal and Accounting	13,464
Depreciation and Depletion	73,604
Landscaping	9,814
Appliance Recycling	642
Tire Recycling	669
Electronic Recycling	4,838
Cardboard Expense	1,106
Leachate Operations	42,263
Special Waste Handling	3,956
Permits	1,061
Insurance	33,793
Supplies	14,657
Site Utilities	17,416
Office Expense	3,629
Fuel	5,809
Tipping Fees	297,572
Total Operating Expense	1,156,261
Operating Income	16,134
Non-Operating Revenues :	
Rental Income	3,025
Interest Income	40,087
Net Non-Operating Revenues	43,112
Change in Net Position	59,246
Net Position Beginning of Year (as restated)	3,008,369
Net Position End of Year	\$ 3,067,615

See Notes to Financial Statements.

Exhibit C**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION****STATEMENT OF CASH FLOWS**
Year Ended June 30, 2013**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Assessments	\$ 931,237
Cash Received from Gate Fees	138,599
Cash Received from Other Operating Receipts	90,435
Cash Paid to Suppliers for Goods and Services	(757,744)
Cash Paid to Employees for Services	(306,037)
Net Cash Provided by Operating Activities	96,490

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of Capital Assets	(7,800)
Rents Received	3,025
Net Cash Used in Capital and Related Financing Activities	(4,775)

CASH FLOWS FROM INVESTING ACTIVITIES:

Redemption of Certificate of Deposit	116,877
Interest Received	23,761
Net Cash Provided by Investing Activities	140,638

Net Increase in Cash 232,353

Cash- Beginning of the Year 462,117

Cash- End of the Year \$ 694,470

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income	\$ 16,134
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	73,604
Closure/ Post Closure	7,994
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(12,204)
Decrease in Prepaid Items	10,962
Total Adjustments	80,356
Net Cash Provided by Operating Activities	\$ 96,490

See Notes to Financial Statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Fayette County Solid Waste Management Commission was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the transfer station and recycling center in Fayette County for use by all residents of the County.

The Commission is composed of one representative from each of the thirteen member cities and five representatives from Fayette County. The member cities are: Arlington, Clermont, Elgin, Fayette, Hawkeye, Maynard, Oelwein, Randalia, St. Lucas, Wadena, Waucoma, Westgate and West Union. Each member shall be entitled to one vote for each 1000 people or fraction thereof as determined by the most recent general Federal Census.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, the Fayette County Solid Waste Management Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. Fayette County Solid Waste Management Commission has no component units which meet Governmental Accounting Standards Board criteria.

B. BASIS OF PRESENTATION

The accounts of Fayette County Solid Waste Management Commission are organized as Enterprise Funds. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expense, including depreciation) of providing goods or services to general public on continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements are reported using the economic resources measurements focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguished operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES AND NET POSITION

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Investments and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Restricted Investments – Funds set aside for payment of closure and post-closure care cost are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Commissions as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Building and Improvements	\$25,000
Equipment and Vehicles	5,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50
Building Improvements	20-50
Equipment and Vehicles	2-20

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2013.

Payroll and Related Cost – The Commission leases the service of employees from Fayette County for landfill administration and operations of the recycling center. The Commission reimburses the County for the direct labor costs and cost of benefits provided to these employees on a monthly basis.

Note 2: Cash and Investments

The Commission's deposits in the bank at June 30, 2013 were entirely covered by federal depository insurance or by State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of drainage district.

The Commission had no investment meeting the disclosure requirements of Governmental Auditing Standards Board Statements Number 3, as amended by Statement No. 40.

Note 3: Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Commission is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 are recorded on Fayette County's expenditures as the County pays the contribution and is reimbursed by the Commission.

Notes to Financial Statements (Continued)

Note 4: Other Postemployment Benefits (OPEB)

The Commission participates in the Fayette County postretirement medical plan (OPEB). The OPEB Plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

The actuarial valuation of liabilities under the OPEB Plan is calculated using the Frozen Age Entry actuarial cost method as of July 1, 2011 actuarial valuation. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$457,722 for Fayette County as of June 30, 2013. The Commission's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB Plan are available in Fayette County's audit report for the year ended June 30, 2013. The report may be obtained by writing to the Fayette County's Auditor's Office, 114 North Vine, West Union, Iowa 52175.

The Commission did not recognize a net OPEB liability for other postemployment benefits, which would represent the Commission's portion of Fayette County's net OPEB obligation, the amount could not be determined and appears to be immaterial.

Note 5: Capital Assets

A summary of property and equipment at June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 939,126	\$ 0	\$ 0	\$ 939,126
Capital Assets Being Depreciated:				
Buildings	1,475,128	0	0	1,475,128
Equipment and Vehicles	394,718	7,800	0	402,578
Cell Development	746,762	0	0	746,762
Total Capital Assets Being Depreciated	2,616,608	7,800	0	2,624,408
Less Accumulated Depreciation For:				
Buildings	331,522	46,256	0	377,778
Equipment and Vehicles	268,366	27,348	0	295,714
Cell Development	746,762	0	0	746,762
Total Accumulated Depreciation	1,346,650	73,604	0	1,420,254
Total Capital Assets Being Depreciated, Net	1,269,958	(65,804)	0	1,204,154
Total Capital Assets, Net	\$ 2,209,084	\$ (65,804)	\$ 0	\$ 2,143,280

Notes to Financial Statements (Continued)

Note 6: Closure and Post-closure Care Costs

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post-closure plan to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirements is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care cost and recognize a portion of these cost each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for Fayette County Solid Waste Management Commission have been estimated at \$1,758,488 for post-closure, as of June 30, 2013, and the portion of the liability that has been recognized is \$1,758,488. These amounts are based on what it would actually cost to perform all post-closure care during the year ended June 30, 2013. Actual cost may be higher due to inflation, changes in technology or changes in regulations. The landfill reached full capacity in December of 2009 and was closed. The closure cost liability had been eliminated to reflect the cost of closure activities performed in fiscal 2011.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun accumulating resources to fund these cost and, at June 30, 2013, assets of \$1,870,856 are restricted for this purpose. They are reported as restricted investments and restricted net assets on the Statement of Net Position.

Notes to Financial Statements (Continued)

Note 7: Transfer Station Closure Care

To comply with state regulations, the Commission is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which have come in contact with solid waste and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Commission is required to maintain a closure account as financial assurance for the closure care cost. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total cost for the Commission as of June 30, 2013 has been estimated at \$41,900. The balance has been restricted and is over funded (\$43,429) at June 30, 2013.

Note 8: Solid Waste Tonnage Fees Retained

The landfill was closed in December of 2009, and solid waste tonnage fees are no longer being retained.

At June 30, 2013, there were no unspent amounts retained by the Commission and restricted for the required purposes.

Note 9: Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

Note 10: Subsequent Events

Management evaluated subsequent events through March 3, 2014, the date the financial statements were available to be issued.

Note 11: Restatement of Net Position Beginning of Year

Adjustments were made to the Net Position beginning of the year to include capital assets, accumulated depreciation, depreciation expense, prepaid insurance and closure/post closure care costs not previously recorded due to change in software in July of 2011, and not recorded for the fiscal year ended June 30, 2012. The net effect on the Net Position Beginning of the year was a decrease of \$54,300.

SUPPLEMENTARY INFORMATION

Schedule 1**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION****COMBINING STATEMENT OF NET POSITION
June 30, 2013**

ASSETS	Landfill/Transfer Station	Recycling	Total
Current Assets:			
Cash	\$ 675,742	\$ 18,728	\$ 694,470
Accounts Receivable	18,715	9,850	28,565
Prepaid Insurance	12,190	7,854	20,044
Total Current Assets	706,647	36,432	743,079
Noncurrent Assets:			
Restricted Investments	1,914,285	-	1,914,285
Capital Assets (Net of Accumulated Depreciation)	2,084,853	58,427	2,143,280
Total Noncurrent Assets	3,999,138	58,427	4,057,565
Total Assets	\$ 4,705,785	\$ 94,859	\$ 4,800,644
LIABILITIES			
Noncurrent Liabilities:			
Landfill Closure and Post-Closure Care Cost	\$ 1,733,029	\$ -	\$ 1,733,029
Total Liabilities	1,733,029	-	1,733,029
Net Position			
Net Investment in Capital Assets	2,084,853	58,427	2,143,280
Restricted for:			
Closure & Post-Closure Care Cost	1,914,285	-	1,914,285
Unrestricted	(1,026,382)	36,432	(989,950)
Total Net Position	\$ 2,972,756	\$ 94,859	\$ 3,067,615

See Accompanying Independent Auditors' Report.

Schedule 2**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION**

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year Ended June 30, 2013

	Landfill/Transfer Station	Recycling	Total
OPERATING REVENUES:			
County and City Assessments	\$680,688	\$ 250,568	\$ 931,256
Material Sales and Fees	140,911	90,343	231,254
Other Operating Revenues	8,827	1,058	9,885
Total Operating Revenues	830,426	341,969	1,172,395
OPERATING EXPENSES:			
Wages and Benefits	132,787	173,250	306,037
Repairs and Maintenance	5,520	22,728	28,248
Hauler Contract & Fees	122,089	-	122,089
Trucking	-	121,174	121,174
Engineering Services	49,420	-	49,420
Education and Training	-	5,000	5,000
Legal and Accounting	13,336	128	13,464
Depreciation	58,527	15,077	73,604
Landscaping	9,814	-	9,814
Appliance Recycling	642	-	642
Tire Recycling	669	-	669
Electronic Recycling	4,838	-	4,838
Cardboard Expense	-	1,106	1,106
Leachate Operations	42,263	-	42,263
Special Waste Handling	3,956	-	3,956
Permits	1,061	-	1,061
Insurance	20,136	13,657	33,793
Supplies	2,142	12,515	14,657
Site Utilities	6,908	10,508	17,416
Office Expense	2,664	965	3,629
Fuel	4,627	1,182	5,809
Tipping Fees	297,572	-	297,572
Total Operating Expense	778,971	377,290	1,156,261
Operating Income (Loss)	51,455	(35,321)	16,134
Non-Operating Revenues and Transfers:			
Rental Income	3,025	-	3,025
Interest Income	40,046	41	40,087
Transfers in/(out)	198,950	(198,950)	-
Total Non-Operating Revenues & Transfers	242,021	(198,909)	43,112
Change in Net Position	293,476	(234,230)	59,246
Net Position Beginning of Year (as restated)	2,679,280	329,089	3,008,369
Net Position End of Year	\$ 2,972,756	\$ 94,859	\$ 3,067,615

See Accompanying Independent Auditors' Report.

Schedule 3**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION****COMBINING STATEMENT OF CASH FLOWS**
Year Ended June 30, 2013

	Landfill/Transfer Station	Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Assessments	\$ 680,688	\$ 250,549	\$ 931,237
Cash Received from Gate Fees	138,599	-	138,599
Cash Received from Other Operating Receipts	8,827	81,608	90,435
Cash Paid to Suppliers for Goods and Services	(573,076)	(184,668)	(757,744)
Cash Paid to Employees for Services	(132,787)	(173,250)	(306,037)
Net Cash Provided by (Used in) Operating Activities	122,251	(25,761)	96,490
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(7,800)	-	(7,800)
Rents Received	3,025	-	3,025
Net Cash Used in Capital and Related Financing Activities	(4,775)	-	(4,775)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Redemption of Certificate of Deposit	116,877	-	116,877
Interest Received	23,720	41	23,761
Transfers In/(Out)	198,950	(198,950)	-
Net Cash Provided by (Used in) Investing Activities	339,547	(198,909)	140,638
Net Increase (Decrease) in Cash	457,023	(224,670)	232,353
Cash- Beginning of the Year	218,719	243,398	462,117
Cash- End of the Year	\$ 675,742	\$ 18,728	\$ 694,470
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 51,455	\$ (35,321)	\$ 16,134
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	58,527	15,077	73,604
Changes in Assets and Liabilities:			
Closure/Post Closure Care Costs	7,994	-	7,994
Increase in Accounts Receivable	(2,392)	(9,812)	(12,204)
Decrease in Prepaid Items	6,667	4,295	10,962
Total Adjustments	70,796	9,560	80,356
Net Cash Provided by (Used in) Operating Activities	\$ 122,251	\$ (25,761)	\$ 96,490

See Accompanying Independent Auditors' Report.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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Independent Auditors' Report on Internal Control
over Financial Reporting and on compliance and other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Member of the Fayette County Solid Waste
Management Commission:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Fayette County Solid Waste Management Commission as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, and have issued our report thereon dated March 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fayette County Solid Waste Management Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fayette County Solid Waste Management Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fayette County Solid Waste Management Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Fayette County Solid Waste Management Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Fayette County Solid Waste Management Commission's internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Solid Waste Management Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commissions operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commissions. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fayette County Solid Waste Management Commission's Responses to Findings

The Fayette County Solid Waste Management Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Fayette County Solid Waste Management Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Fayette County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Dennis P. Donovan, P.C.

March 3, 2014

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2013

Findings Related to the Financial Statements:

Internal Control Deficiencies:

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Commission:

- (1) Accounting System – record keeping for revenues and expenses, and related reporting.
- (2) Bank Reconciliation – preparation and maintenance of accounting records.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances, utilizing currently available staff or Board Members.

Response – The Executive Secretary will review receipts and expenditures on a weekly basis, bank reconciliations monthly, and a physical inspection of certificates of deposit will be made bi-monthly. Ruth Ann Kearney, Financial Director and Joan Swenka, Executive Secretary are on bank accounts as inquiry only.

Conclusion – Response accepted.

- (B) Financial Reporting - During the audit, we identified material amounts of capital assets, accumulated depreciation, depreciation expense, prepaid expenses and cash transfers not recorded in the Commission's financial statements.

Recommendation – The Commission's financial statements should have been adjusted to correct the balances in the new software program at July 1, 2011, and again on July 1, 2012. The Commission should implement procedures to ensure the general ledger is accurate. All capital assets should be recorded, accumulated depreciation and depreciation expense, as well as prepaid insurance. The long term liability, Closure/Postclosure Care Costs should be recorded also.

Response - We have made the adjustments to record the aforementioned items, and will continue to record adjustments as needed.

Conclusion – Response accepted.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2013

Internal Control Deficiencies: (Continued)

- (C) Preparation of Full Disclosure Financial Statements – During our audit, we noted that the internal control system does not include a process for preparing annual financial statements and the related disclosures in accordance with GAAP.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that Commission officials continue to review operating procedures and obtain the internal expertise needed to handle all aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 15, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.
- (5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the Solid Waste fees used in accordance with Chapter 455B.310 of the Code of Iowa were noted.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2013

- (6) Financial Assurance – The Commission has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Post-closure	Transfer Station
Total Estimated Cost for Closure and Post Closure Care	\$1,758,488	\$41,900
Less: Balance of Funds Held In the Local Dedicated Fund At June 30, 2012	1,986,947	43,627
Required Payment/Over Funded Amount in the Local Dedicated Fund for the Year Ended June 30, 2013	\$228,459	\$1,727
Balance of Funds Held in the Local Dedicated Fund at June 30, 2012	\$1,986,947	\$43,627
Required Balance of Funds To be Held in the Local Dedicated Balance Fund at June 30, 2013	\$1,758,488	\$41,900
Amount Commission has Restricted For Closure and Post-closure Care at June 30, 2013	\$1,870,203	\$43,429